

**ROEDEL PARSONS KOCH
BLACHE BALHOFF & MCCOLLISTER**
A L A W C O R P O R A T I O N

roedelparsons.com

November 4, 2019

Luke F. Piontek
Partner
Lpiontek@roedelparsons.com

Telephone: (225) 929-7033
Facsimile: (225) 928-4925

VIA EMAIL DELIVERY ONLY

Council President Helena Moreno
Councilmember-At-Large
1300 Perdido Street, Room 2W40
New Orleans, LA 70112
morenocouncil@nola.gov

Councilmember Joseph I. Giarrusso
District "A"
1300 Perdido Street, Room 2W80
New Orleans, LA 70112
Joseph.Giarrusso@nola.gov

Councilmember Kristin Gisleson Palmer
District "C"
1300 Perdido Street, Room 2W70
New Orleans, LA 70112
Kristin.Palmer@nola.gov

Councilmember Cyndi Nguyen
District "E"
1300 Perdido Street, Room 2W60
New Orleans, LA 70112
Cyndi.Nguyen@ nola.gov

Council Vice-President Jason Rogers Williams
Councilmember-At-Large
1300 Perdido Street, Room 2W50
New Orleans, LA 70112
jasonwilliams@nola.gov

Councilmember Jay H. Banks
District "B"
1300 Perdido Street, Room 2W10
New Orleans, LA 70112
Jay.Banks@nola.gov

Councilmember Jared C. Brossett
District "D"
1300 Perdido Street, Room 2W20
New Orleans, LA 70112
jcbrossett@nola.gov

***RE: Revised Application of Entergy New Orleans, LLC for a Change
in Electric and Gas Rates Pursuant to Council Resolutions R-15-
194 and R-17-504 and for Related Relief; City Council Docket
No. UD-18-07;
Proposed Resolution No. R-19-***

Dear Councilmembers:

I represent the Crescent City Power Users' Group ("CCPUG"), in the above-referenced matter. I am writing on behalf of CCPUG in response to the two letters Entergy New Orleans, LLC ("ENO") sent to the Council, each dated October 30, 2019, regarding

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the proposed resolution adopted by the Utility, Cable, Telecommunications, and Technology Committee on October 23, 2019 (“Resolution No. R-19-_____”). Resolution No. R-19-_____ is scheduled to be considered by the full Council at its November 7, 2019 meeting.

ENO’s letters are essentially a rehash of the arguments it put forth in the underlying rate case. The letters provide no valid reason for this Council to divert from approval of Resolution No. R-19-_____, and, instead offer speculative, unsupported, and, quite frankly, misleading arguments. For example, ENO’s counsel’s letter dated October 30, 2019, at p. 4, purports to show the Return on Equity (“ROE”) for each of 10 public utilities (with ROEs at 10.0% or above) that ENO argues are similar to it, but ENO neglects to mention that *only one* of these utilities (Duke Energy) was used by ENO’s own ROE expert, Robert Hevert, in his Proxy Group of utilities that he compared to ENO in the rate case.¹ The attached sheet from CCPUG’s expert’s testimony extracts data from one of Mr. Hevert’s exhibits and shows that the *highest* ROE awarded to an electric public utility in the United States since January 2018 is 10.0%, the lowest is 8.69%, and the average is 9.57%.² ENO also declined to inform the Council that all, or nearly all, of the ROEs in its counsel’s letter were awarded prior to 2018, being that all but one exceed 10.0%.

Resolution No. R-19-_____, as it stands, and while not providing everything that every party to the rate case requested, represents a balanced, reasonable, and well-supported resolution of this matter. Recall that decisions of the Council must be based on evidence in the record of the underlying matter. The evidentiary record in this proceeding fully supports Resolution No. R-19-_____. In particular, CCPUG’s experts submitted voluminous and thorough testimony establishing that a 9.35% ROE is reasonable given the myriad factors considered and long-accepted ROE calculation methodologies. The 9.35% ROE recommended by CCPUG’s expert witness is at the top end of his range of reasonable ROEs and was selected by him in large part in consideration of ENO’s split credit rating.

Meanwhile, the ROE requested by ENO (10.75%) would – according to ENO’s own ROE expert in this proceeding – represent the second highest ROE awarded by any regulator to any electric public utility in the United States in the last 5 years (from 2014 through 2019)³ and the absolute highest in the last 18 months (through February 2019).⁴ CCPUG’s experts, the Advisors’ experts, and Air Product’s experts all agreed that the ROE requested by ENO is excessive and unnecessary to provide it with sufficient capital for its operations and investments moving forward. It is worth noting that ENO’s ROE expert

¹ Compare Exh. ENO-26 (Hevert Revised Direct Testimony) (ENO), at 14:1, Table 2: “Proxy Group Screening Results”.

² Exh. CCPUG-4 (Baudino Surrebuttal Testimony) (CCPUG)), at 6:1, Surrebuttal Table 2, entitled, “2018 – 2019 Allowed ROEs, Rebuttal Exhibit (RBH-19)”, listing the authorized ROEs across the country – as selected by Mr. Hevert – from January 2018 through February 2019.

³ Exh. ENO-29 (Hevert Revised Rebuttal Testimony) (ENO), at 6:3, Chart 2: “Vertically Integrated Authorized ROEs (2014 – 2019)”.

⁴ Exh. CCPUG-4 (Baudino Surrebuttal Testimony) (CCPUG)), at 6:1, Surrebuttal Table 2, entitled, “2018 – 2019 Allowed ROEs, Rebuttal Exhibit (RBH-19)”.

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predicated his testimony supporting ENO's request for a 10.75% ROE, in part, on his expectation that interest rates would be rising. In truth, since ENO's Revised Application was filed in September 2018, the Federal Reserve has *reduced* the benchmark federal funds rate *three times* from a range of 2.25 to 2.50% in December 2018 to 1.50 to 1.75% as of October 31, 2019.⁵

It is critical that ENO's base rates be set in this rate case as low as reasonably possible to ameliorate the effects of the looming rate increases that ENO's customers will experience when the New Orleans Power Station (assuming the approval of such project survives appeal) and the solar project become operational. The roughly \$37 million overall electric revenue (rate) reduction and approximately \$3.7 million overall gas revenue (rate) reduction embodied in Resolution No. R-19-_____ will serve to soften the rate increases coming in the next several months and will put much needed dollars in the pockets of ENO's customers, including the City of New Orleans and the Sewerage and Water Board of New Orleans.

In sum, CCPUG reiterates its support for Resolution No. R-19-_____ because it strikes the proper balance between delivering benefits to all customers and keeping ENO healthy, while establishing an accountable and transparent regulatory review process going forward.

Thank you for your consideration. Should you have any questions, please do not hesitate to contact me.

Sincerely,



Luke F. Piontek

LFP/js

cc: Official Service List (via email only)

⁵ See tables at <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>.

| Surrebuttal Table 2 | |
|----------------------------------|----------------------|
| 2018 - 2019 Allowed ROEs | |
| Rebuttal Exhibit (RBH-19) | |
| Date | Return on Equity (%) |
| 1/18/18 | 9.70% |
| 1/31/18 | 9.30% |
| 2/2/18 | 9.98% |
| 2/23/18 | 9.90% |
| 3/12/18 | 9.25% |
| 3/15/18 | 9.00% |
| 3/29/18 | 10.00% |
| 4/12/18 | 9.90% |
| 4/13/18 | 9.73% |
| 4/18/18 | 9.25% |
| 4/18/18 | 10.00% |
| 4/26/18 | 9.50% |
| 5/30/18 | 9.95% |
| 5/31/18 | 9.50% |
| 6/14/18 | 8.80% |
| 6/22/18 | 9.50% |
| 6/22/18 | 9.90% |
| 6/28/18 | 9.35% |
| 6/29/18 | 9.50% |
| 8/8/18 | 9.53% |
| 8/21/18 | 9.70% |
| 8/24/18 | 9.28% |
| 9/5/18 | 9.10% |
| 9/14/18 | 10.00% |
| 9/20/18 | 9.80% |
| 9/26/18 | 9.77% |
| 9/26/18 | 10.00% |
| 9/27/18 | 9.30% |
| 10/4/18 | 9.85% |
| 10/29/18 | 9.60% |
| 10/31/18 | 9.99% |
| 11/1/18 | 8.69% |
| 12/4/18 | 8.69% |
| 12/13/18 | 9.30% |
| 12/14/18 | 9.50% |
| 12/19/18 | 9.84% |
| 12/20/18 | 9.65% |
| 12/21/18 | 9.30% |
| 1/9/19 | 10.00% |
| 2/27/19 | 9.75% |
| Average | 9.57% |
| Avg. From Last 6 Months | 9.56% |
| Highest ROE Award | 10.00% |
| Lowest ROE award | 8.69% |